

NATIONAL RAILWAY EQUIPMENT CO.



HOME OFFICE 14400 S ROBEY STREET P O BOX 2270 DIXMOOR, ILLINOIS 60426
TELEPHONE (708) 388-6002 FAX (708) 388-2487

RECORDATION NO 27493 FILED

MAY 07 '08

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SURFACE TRANSPORTATION BOARD



April 30, 2008

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
395 E. Street. SW
Washington, DC 20423-0001

Attn: Equipment Recordation

To Whom It May Concern:

I have enclosed for recordation, pursuant to the provisions of 49 U.S.C. 11301, an Original and one counterpart of the memorandum of lease agreement and a schedule of equipment for a locomotive lease agreement dated October 31, 2007, a primary document under the Board's recordation regulations.

The names and addresses of the parties to the enclosed document are as follows:

Lessor: National Railway Equipment Co.
14400 South. Robey St.
Dixmoor, IL 60416

Lessee: Savage Services, Inc.
6340 South 3000 East #600
P.O. Box 57908
Salt Lake, UT 84157

A description of the equipment covered by the Lease Agreement is as follows:

NREX 4212	GE	GE B23-7 (4 axle)
NREX 4263	GE	GE B23-7 (4 axle)
NREX 4274	GE	GE B23-7 (4 axle)

A short summary of the document to appear in the index is as follows:

"Locomotive Lease Agreement"

Also enclosed is a check in the amount of thirty-five (\$35.00) dollars made payable to the Surface Transportation Board to cover the required recordation fee for the attached agreement.

Please date-stamp and return an original copy after the recordation to:

Demitrus Evans, Esq.
National Railway Equipment Co.
14400 South Robey Street
P.O. Box 2270
Dixmoor, IL 60426

Sincerely Yours,

NATIONAL RAILWAY EQUIPMENT CO.

By: 

Demitrus Evans

MAY 07 '08

3-32 PM

SURFACE TRANSPORTATION BOARD

LOCOMOTIVE LEASE AGREEMENT

THIS LOCOMOTIVE LEASE AGREEMENT ("Lease"), entered into as of this 31st day of October 2007, between the National Railway Equipment Co., an Illinois corporation. ("LESSOR"). and Savages Services, Inc., ("LESSEE").

LESSOR AND LESSEE HEREBY AGREE AS FOLLOWS:**1. LEASE AND LEASED PROPERTY**

Lessee hereby leases from Lessor, the locomotive, ("Locomotive" or "locomotive"), together with the parts, accessories, attachments and devices, if any, now or hereafter affixed thereto, as described in Schedule "A" attached to and made part hereof.

2. TERM

The term of this Lease for each locomotive shall be the fixed term set forth in Schedule "A", commencing on the date such locomotive is accepted by Lessee ("Commencement Date"). In the event of default of the lease, Lessee shall affect prompt delivery of the locomotive to Lessor at its Silvis, Illinois manufacturing facility or to a mutually agreed upon location.

3. RENTAL

A. The rental payable shall be the sum identified in Schedule "A". Lessee shall operate such locomotive in service on its railroad. If the Commencement Date for any locomotive does not fall on the first day of the month, the first rental payment shall be prorated accordingly.

B. Payments past due for more than five (5) days shall bear interest at the rate of twelve percent (12%) per annum.

C. All rentals shall be paid to Lessor at:

National Railway Equipment Co.
1473 Paysphere Circle
Chicago, IL 60674

or at such other address as Lessor may direct in writing.

4. TAXES

Lessee shall pay all use, excise, ad valorem, stamp, documentary and similar taxes on or relating to this lease of the locomotive, or the use, registration, rental, maintenance, possession or operation thereof, and shall file any returns required therefore, and shall hold Lessor harmless against any liability and expense (including attorney fees and costs) on account of Lessee's failure to do the same.

5. OWNERSHIP AND LESSOR'S INSPECTION

A. The locomotive shall at all times remain the sole and exclusive property of the Lessor.

B. Upon reasonable notice to Lessee, Lessor or its agents shall have free access to the locomotive at reasonable times for the purpose of inspections.

C. No accessions, additions, alterations or improvements to the locomotive of any nature shall be made without Lessor's consent, but if any are made, they immediately shall become part of the locomotive and shall become Lessor's property.

D. Lessee shall keep the locomotive, at all times, free and clear from all claims, liens and encumbrances.

E. This Lease is intended to be a true lease of the locomotive and shall be not be construed as creating a sale of the locomotive to Lessee.

6. DELIVERY/RETURN

Lessee shall accept delivery of the locomotive at Lessor's manufacturing facility in Silvis, Illinois; i.e., Lessee is responsible for all outbound freight transportation costs ex-works Lessor's manufacturing facility. In the event of default, Lessee shall return such locomotive to Lessor at its Silvis, Illinois manufacturing facility or to a mutually agreed upon location ("Inspection Location") in good order and condition, reasonable wear and tear accepted. Lessee shall bear all transportation costs associated with the movement of the locomotive to Lessor's manufacturing facility in Silvis Illinois or to any other mutually agreed upon location, at no cost to Lessor.

Lessee shall, at the expiration of this Lease, promptly issue billing instruction as mutually agreed and will immediately deliver the locomotive to the Inspection Location at Lessee's expense. **TIME IS OF ESSENCE FOR THE RETURN OF THE LOCOMOTIVE.** All obligations of Lessee under this Lease shall continue with respect to any locomotive not returned by the expiration or earlier termination as permitted herein until such locomotive is returned to the Inspection Location, whether there was a default or not, in accordance herewith including, without limitation, the obligation to pay rent, which shall increase to \$500.00 dollars per day for the first 21 calendar days the locomotive is late and to 150% of such rate thereafter and Lessee shall pay all of Lessor's costs in obtaining the immediate return of the locomotive and in obtaining and collecting such amounts or for any other remedies Lessor's is permitted to use by law, including but not limited to all attorney's fees and collection agency fees. The remedies stated herein are not exclusive and may be used together by Lessor. Lessee shall pay or reimburse Lessor for any reasonable and ordinary expenses incurred by Lessor in returning the locomotive to good order and condition, in delivering the locomotive to Lessor or effecting return of the locomotive from Lessee as provided herein. This entire paragraph shall survive any expiration or termination of the Lease.

7. LESSEE'S INSPECTION/WARRANTY DISCLAIMER

A. i. Lessee hereby acknowledges that Lessee has had or will have the opportunity to inspect the locomotives prior to accepting delivery of same, and that acceptance of delivery of

the locomotives by Lessee constitutes acknowledgment that the locomotives have been received in good condition and repair.

- ii. Lessee shall be responsible for any and all repairs or maintenance of the locomotives during the term of this Lease including to the extent caused by the willful acts, misuse of the Locomotives or negligence of Lessee or as the result of acts of God or a third party while the locomotives are in possession of Lessee. If the locomotives are operated normal service conditions and in accordance to OEM operational procedures (excepting to the extent caused by the willful acts, misuse of the Locomotive or negligence of Lessee or as the result of acts of God or a third party while the locomotives are in possession of Lessee) the Lessor shall be responsible for warranting the engine crank shaft, turbo-charger and alternator during the term of the lease, not to exceed under any circumstances February 29, 2008. The warranty shall cover the replacement of the warranted parts only and excludes all associated labor and freight charges for the outgoing warranted parts and the return of the replaced core components / assemblies.

B. Delivery to and acceptance of the locomotives by and execution of a Schedule with respect thereto by Lessee shall constitute Lessee's acknowledgment that the locomotive is of the manufacture, design and utility, quality and capacity selected by the Lessee, that Lessee is satisfied that the same is suitable for Lessee's purpose. **LESSOR MAKES NO REPRESENTATION OR WARRANTY EXPRESS OR IMPLIED, WITH RESPECT TO THE CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF THE LOCOMOTIVE and Lessor hereby disclaims all such representation and warranties. LESSOR SHALL NOT BE RESPONSIBLE FOR ANY CONSEQUENTIAL, INCIDENTAL OR INDIRECT DAMAGES.**

8. USE AND MAINTENANCE

Lessee agrees that:

A. Lessee shall be responsible and pay for all registrations, certificates, and permits, and all other similar requirements of governmental authorities, whether required to be obtained in the name of the Lessor or Lessee.

B. The locomotives shall be used and operated only by properly qualified, trained and registered personnel authorized by Lessee.

C. Lessee shall comply with all federal, state, municipal and local laws, ordinances, and rules, and regulations relating to the lease, possession, insuring, use and operation of the locomotives.

D. Lessee shall be solely responsible for the payment of any and all fines, penalties or forfeitures (including without limitation the confiscation of the locomotives) levied upon or arising out of the use, operation, maintenance or insuring of the locomotives in violation of any law, ordinance, rule or regulation of any governmental authority.

E. Lessee shall pay all costs, expenses and charges incurred in connection with the maintenance, lease, use and operation of the locomotives.

F. Lessee shall maintain the locomotives in good mechanical condition and running order and in compliance with OEM specifications and safety rules and regulations now or hereafter promulgated by applicable governmental authorities.

G. Lessee shall keep and maintain any and all books and records and make any filings required by any governmental authority with respect to the possession, lease, use or operation of the locomotives.

9. INSURANCE/INDEMNIFICATION

A. Railroad liability insurance providing coverage in an amount not less than ten million (\$10,000,000.00) dollars combined single limit per occurrence shall be provided by Lessee at Lessee's sole expense throughout the term of this Lease as to each locomotive. The insurance policy or policies providing the foregoing coverage shall:

- i. be written by an insurance company or companies satisfactory to Lessor and authorized to transact business in all of the states in which the locomotive will be used and operated.
- ii. name Lessor and Lessee as insured parties.
- iii. protect the interests of Lessor and Lessee, including Lessee's authorized operators, with respect to liability for injuries to or the death of third party persons and damage to or loss of use of property of third persons resulting from the ownership, maintenance, use or operation of the locomotive.
- iv. provide by endorsement or otherwise that the coverage shall be primary coverage as to Lessor.
- v. provide that the insurance company or companies issuing such policy or policies shall notify Lessor of any cancellation thereof at least thirty- (30) days prior thereto.

B. Lessee, at Lessee's sole expense, shall provide collision and comprehensive physical damage insurance on each locomotive. The insurance policy or policies providing the foregoing coverages shall:

- i. be written in standard form by an insurance company acceptable to Lessor.
- ii. provide coverage in an amount not less than the replacement value of the locomotives.
- iii. provide for losses to be payable to Lessor and Lessee as their respective interests may appear.

C. Lessee shall furnish Lessor with a certificate(s) of insurance or other evidence of said insurance coverage.

D. Notwithstanding that Lessee shall provide certain insurance hereunder and irrespective of any responsibility for negligence, Lessee does hereby agree to defend, indemnify, protect and hold harmless Lessor and any assignees or successors of Lessor, and their respective employees and agents, from and against any and all losses, liabilities (including without limitation strict liability imposed by law), damages, injuries, claims, demands and expenses (including legal expenses) of whatsoever kind and

nature, resulting from or arising out of the use, condition, operation or ownership of any locomotive. This covenant of indemnity shall continue in full force and effect notwithstanding the termination of this lease or the termination of the lease of any locomotive.

E. Lessee assumes and agrees to indemnify, protect and hold free and harmless Lessor, any assignee or successor of Lessor, and their respective employees or agents, irrespective of any responsibility for negligence, from any loss, damage, theft or destruction of any locomotive. In the event of damage to a Locomotive, Lessee shall immediately place the same in good repair (ordinary wear and tear excepted). If Lessor, in the exercise of its reasonable judgment, determines that any item of the Locomotive is lost, stolen, destroyed, damaged beyond repair or rendered permanently unfit for use for any reason, or in the event of condemnation or seizure of a Locomotive, Lessee shall (at Lessee's option provided Lessee is not then in default under the Lease) (i) replace such locomotive with substantially similar equipment of equal or greater value and in good repair and transfer title thereto to Lessor free and clear of any all liens, claims and encumbrances of any kind or nature whatsoever, or (ii) pay Lessor in cash the sum of (a) any installments of rent and other amounts payable by Lessee hereunder with respect to such item due but unpaid at the date of such payment plus (b) the Replacement Value of such Locomotive determined in accordance with Schedule A. Upon payment of such amount to Lessor, such item shall become the property of Lessee, Lessor will transfer to Lessee, without recourse or warranty, all of Lessor's right, title and interest therein, the rent with respect to such item shall terminate, and the basic rental payments on the remaining items shall be reduced accordingly. Lessee shall pay any sales and use taxes due on such transfer.

F. If Lessee shall fail to obtain or maintain the insurance coverage required in this lease, or shall fail to furnish Lessor with evidence thereof, Lessor at its option, may obtain such required insurance coverage on behalf of Lessee and Lessee's expense.

10. ASSIGNMENT. THIS LEASE HAS BEEN COLLATERALLY ASSIGNED BY LESSOR TO LASALLE BANK NATIONAL ASSOCIATION (the "Bank"). Lessee expressly agrees that Lessor shall remain liable under this Lease to perform all of the conditions and obligations provided herein to be observed and performed by it, and neither the collateral assignment of this Lease to Bank by Lessor nor any action taken pursuant to such assignment shall cause Bank to be under any obligation or liability in any respect to any party to this Lease, including, without limitation, Lessee, for the performance or observance of any of the representations, warranties, conditions, covenants, agreements or other terms of this Lease. Notwithstanding any provision to the contrary herein, this Lease may not be amended or modified without the prior written consent of Bank. Lessee will not sell, assign, sublet or otherwise encumber or permit a lien arising through Lessee to exist on or against any interest in this Lease or the Locomotives.

11. FINANCIAL DATA

Upon the written request of Lessor, Lessee shall furnish to Lessor, when reasonably available, copies of Lessee's financial statements and such other reports and statements concerning this Lease and the locomotives as Lessor reasonably may request.

12. DEFAULT

A. Lessee shall be in default under this Lease upon the happening of any of the following events or conditions ("Event of Default"):

- i. Default in the payment when due of any installment of rental hereunder or of any other obligation for the payment of money now or hereafter owed by Lessee to Lessor.
- ii. Default in the timely performance of any other liability, obligation, covenant or agreement hereunder of Lessee.

13. REMEDIES UPON DEFAULT

A. Upon the occurrence of any Event of Default or at any time hereafter, Lessor, in its sole discretion, may take any one or more of the following actions with respect to the locomotives:

- i. Declare all unpaid amounts of rental to be immediately due and payable.
- ii. Terminate the lease of any or all locomotives by written notice to Lessee.
- iii. Whether or not the lease is terminated, take possession of any or all locomotives wherever found, and for this purpose Lessor may at Lessor's option enter upon the premises where such locomotives are located and take immediate possession of and remove the same, all without liability to Lessee for damage to property or otherwise.
- iv. Require that Lessee shall, upon written demand by Lessor and at Lessee's expense, promptly make available to Lessor at Lessee's expense, any or all locomotive(s) at places designated by Lessor, which is reasonably convenient to both parties.
- v. Use, hold, sell, lease or otherwise dispose of any or all such locomotives as Lessor in its sole discretion may decide, without affecting the obligations of Lessee as provided in this Lease.
- vi. Sell or lease any or all locomotives at public or private sales or proceedings, at such time or times and upon such terms as Lessor may determine, free and clear of any rights of Lessee and, if notice thereof is required by applicable law, any notice in writing of any such sale or Lease by Lessor to Lessee not less than five (5) days prior to the date thereof shall constitute reasonable notice to Lessee.
- vii. Proceed by appropriate action either at law or in equity to enforce performance by Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof or to rescind the lease hereunder of any or all locomotives.
- viii. Exercise any and all rights and remedies available to Lessor under any applicable law. In addition, Lessee shall be charged with and shall pay to Lessor all reasonable costs and expenses of Lessor incurred as a result of each Event of Default by Lessee.

B. None of the rights and remedies under or referred to in this paragraph is intended to be exclusive, but each such right or remedy shall as to each locomotive be cumulative and may be availed of separately or concurrently with or in addition to any other right or remedy provided or referred to herein or otherwise available to Lessor at law or in equity. Any repossession or subsequent sale or lease by Lessor of any locomotive shall not bar an action against lessee for a deficiency. To the extent permitted by applicable law, **LESSEE WAIVES ANY AND ALL RIGHTS TO NOTICE AND TO A JUDICIAL HEARING**

WITH RESPECT TO THE REPOSSESSION OF LOCOMOTIVE BY LESSOR AS A RESULT OF ANY EVENT OF DEFAULT HEREUNDER BY LESSEE.

C. Without limitation of any rights of Lessor otherwise existing or otherwise available to Lessor, it is expressly covenanted and agreed by the parties hereto that in the event of any assignment by operation of law of this Lease or of any lease hereunder, or of a bankruptcy of Lessee within the meaning of the Federal Bankruptcy Act, then Lessor may, at Lessor's election, terminate this Lease or any one or more leases hereunder.

14. RECORDATION OF LESSOR'S INTEREST

Lessee agrees to execute all recording documents requested by Lessor to show Lessor's interest in the locomotives. Lessee further authorizes Lessor to execute and file financial statements or other documents evidencing Lessor's interest in the locomotives without Lessee's signature.

15. MISCELLANEOUS

A. This Lease and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of Illinois.

B. Neither this Lease nor any schedule shall be amended, and no provision hereof or of any Schedule shall be waived or varied unless by a writing signed by the parties.

C. No delay or omission by Lessor in exercising any right hereunder shall operate as a waiver of such right or any other right. A waiver by Lessor of any Event of Default by Lessee shall not be construed as a waiver of any future occasion.

D. In case any provision (or portions thereof) in this Lease shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions (or portions thereof) hereby shall not in any way be affected or impaired thereby.

E. This Lease shall be binding upon and inure to the benefit of Lessor and Lessee and their respective successors.

F. All notices permitted or required to be given pursuant to this Lease shall be mailed by Certified or Registered Mail, Return Receipt Requested to the parties at the following addresses or at such other addresses as each party may notify the other.

If to Lessor: National Railway Equipment Co.
14400 S. Robey
Dixmoor, Illinois 60426

If to Lessee: Savage Services, Inc.
6340 South 3000 East, #600
P. O. Box 57908
Salt Lake, UT 84157

WITNESS WHEREOF, the parties have executed this Lease the day and year first mentioned above.

LESSOR:

NATIONAL RAILWAY EQUIPMENT CO.

BY:

NAME: James M. Wurta, Jr.

TITLE: Vice President

LESSEE:

SAVAGE SERVICES, INC.

BY:

NAME: DONALD W. ALEXANDER

TITLE: R.V.P. Operations

SCHEDULE "A"

Attached to and incorporated into the Lease dated the 31st day of October 2007 by and between the National Railway Equipment Co. (LESSOR) and Savage Services, Inc. (LESSEE).

Type and General Description of Locomotive Unit, Marks and Numbers:

UNIT NO.	TYPE	GENERAL DESCRIPTION
NREX-4212	GE	GE B23-7 (4 axle)
NREX-4263	GE	GE B23-7 (4 axle)
NREX-4274	GE	GE B23-7 (4 axle)

LEASE RATE

REPLACEMENT VALUE	LEASE TERM	LEASE RATE PER LOCOMOTIVE <u>LEASE TERM</u>
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* to be determined by Lessor contingent on delivery of EMD locomotives per the Locomotive Purchase and Sale Agreement between Lessor and Lessee dated October 31, 2007

All associated delivery and return freight charges for these locomotives and any and all associated liabilities shall be to the account of the Lessee.

COMMENCEMENT DATE: October 31, 2007

LESSOR: NATIONAL RAILWAY EQUIPMENT CO.

BY:

NAME:

James M. Wurtz, Jr.

TITLE:

Vice President

LESSEE: SAVAGE SERVICES, INC.

BY:

NAME:

Donald W. Alexander

TITLE:

Dr. V.P. Operations

MEMORANDUM OF LEASE AGREEMENT

THIS MEMORANDUM OF LEASE AGREEMENT is made and entered into as of October 31, 2007 by and between NATIONAL RAILWAY EQUIPMENT CO. ("Lessor"), and SAVAGE SERVICES, INC. ("Lessee"), with reference to the following:

1. Lessor has agreed to lease to Lessee, and Lessee has agreed to lease from Lessor, Locomotive model(s) described herein.

Each locomotive is fully-described in a certain Lease Agreement dated as of October 31, 2007 together with all of the riders, schedules and other attachments thereto, collectively, the "Lease"), each between Lessor and Lessee. A Schedule of the equipment is attached hereto.

2. The Lease shall be effective as of the date hereof and shall be subject to the term specified in the Lease, and any extension of such term to the extent provided for in the Lease.

The Memorandum of Lease Agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one Memorandum of Lease Agreement.

IN WITNESS WHEREOF, the parties hereto have executed or caused this Memorandum of Lease Agreement to be executed as of the date first above written.

LESSEE:

SAVAGE SERVICES, INC.

By: Donald W. Alexander

Name: DONALD W. ALEXANDER

Title: SR. VP Operations

LESSOR:

NATIONAL RAILWAY EQUIPMENT CO.

By: James M. Wurtz, Jr.

Name: James M. Wurtz, Jr.

Title: Vice President

STATE OF Utah)
COUNTY OF Salt Lake) SS.

On this 13th day of November, 2007, before me appeared Don Alexander the person who signed this instrument who acknowledged that (s) he is the Sr. V.P. Oper of Savage Services and that, being duly authorized, (s) he signed such instrument as a free act on behalf of said corporation.




Notary Public

[Seal]



STATE OF ILLINOIS)
COUNTY OF COOK) SS.

On this 7th day of February, 2007, before me appeared James M. Wurtz Jr., the person who signed this instrument who acknowledged that (s) he is an officer of NATIONAL RAILWAY EQUIPMENT CO. and that, being duly authorized, (s) he signed such instrument as a free act on behalf of said corporation.


Notary Public

[Seal]

My Commission Expires:



SCHEDULE OF EQUIPMENT

Lessor: NATIONAL RAILWAY EQUIPMENT CO.

Lessee: _____

Approved by: _____
(Lessee to initial each page)

: Equipment Located at:

Equipment Schedule No.: See Schedule "A"

Manufacturer and/or Vendor
Name & Invoice Number

Equipment
Description

National Railway Equipment Co.

GE B23-7 Locomotives